

DEFINITIONS

Gross cost means the total cost of utility services including the cost of the tangible personal property and any services associated with obtaining the utility services regardless from whom purchased.

Gross receipts means all amounts received in money, credits, property, or other money's worth in any form, as consideration for the furnishing of utility services.

Gross receipts shall not include amounts received for furnishing energy and energy-producing fuels, used in the course of manufacturing, processing, mining, or refining to the extent that the cost of the energy or energy-producing fuels used exceeds 3 percent of the cost of the production.

Utility service means the furnishing of communications services, electric power, water, and natural, artificial, and mixed gas.

Cable service means the provision of video, audio, or other programming service to purchasers, and the purchaser interaction, if any, required for the selection or use of the video or other programming service, regardless of whether the programming is transmitted over facilities owned or operated by the provider or by one or more other communications service providers. Included in this definition are basic, extended, and premium service, pay-per-view service, digital or other music services, and other similar services.

Satellite broadcast or wireless cable service means point-to-point or point-to-multipoint distribution services that include, but are not limited to, direct broadcast satellite service and multichannel multipoint distribution services, with programming or voice transmitted or broadcast by satellite, microwave, or any other equipment directly to the purchaser's premises. Included in this definition are basic, extended, and premium service, pay-per-view service, digital or other music services, two-way service, and other similar services.

Note: A full narrative of the tax law can be found at KRS 160.613—160.617.

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KENTUCKY DEPARTMENT OF REVENUE

UTILITY GROSS RECEIPTS LICENSE TAX



**FINANCE AND
ADMINISTRATION CABINET**

GENERAL INFORMATION

HB 163, enacted during the 2004 Session of the General Assembly, created new sections of KRS Chapter 160 to transfer the administration of the utility gross receipts license tax from the local school districts to the Department of Revenue (DOR). This transfer will become effective July 1, 2005.

HB 272, enacted during the 2005 Session of the General Assembly, provides for the extension of the utility gross receipts license tax to direct broadcast satellite and wireless cable services as an option if the school district also imposes the tax on cable services. The effective date of this legislation is July 1, 2005.

The utility gross receipts license tax shall not exceed 3 percent of the gross receipts derived from the furnishing of utility services and/or cable TV services within a school district. Service providers collect the tax based on the rate established by the local authority. In the past, each service provider or Energy Direct Pay (EDP) holder remitted the tax directly to the appropriate school district.

The change in the law now provides for a service provider or an EDP holder to submit payment to the DOR with a breakdown of the tax allocated to each school district. The district information and the corresponding tax collections will be captured and the amount will be distributed to the appropriate school district in one monthly payment.

KRS 160.613 provides a partial exemption to manufacturers whose energy fuel costs exceed 3 percent of their cost of production. Such manufacturers may

qualify as an EDP authorization holder and will report and remit the tax on their energy utility purchases directly to the DOR.

KRS 160.6154(2) provides for a portion of the amount collected to be deducted by the DOR to cover actual operating and overhead expenses, not to exceed 1 percent.

BOUNDARY INFORMATION

The DOR will maintain the school district boundary maps and address information from tax rolls provided by the property valuation administrator (PVA) in each county. The tax roll information will identify the school district for a specific address. This information will be maintained on a web server for access by the service providers, EDP holders and school districts and updated annually. If changes to the boundaries are made, the superintendent must submit new boundary information to the Department of Education and the service providers in the district.

The tax payments will be allocated among the various school districts in accordance with the most recent boundary information.

REGISTRATION

Service providers and EDP holders will register with the DOR using an online registration system. Demographic information as well as information related to counties and school districts of operation will be collected.

On a regular basis, the DOR will exchange information with other regulatory agencies to ensure registration of all required service

providers and EDP holders operating in Kentucky.

TAX COLLECTION AND ALLOCATION

An online filing system is currently being developed that will allow for the timely filing and subsequent allocation of tax payments to the school districts. The DOR has an established *E-Tax* system for payment of certain taxes. This electronic system will be upgraded to also accept the utility gross receipts license tax.

Service providers and EDP holders will file tax returns showing the total amount of tax and the proper allocation among school districts by the 20th of the month for the prior month's collections.

DISTRIBUTION TO SCHOOL DISTRICTS

The DOR will establish a standard format and schedule for distribution payments to school districts.

Under the new law, service providers and EDP holders must file their first return with the DOR on or before August 20 for the period July 1-31. We anticipate the distribution to occur in September for tax collections remitted with the July return. This timing may represent a small delay for the school district the first processing month; however, after the initial start-up month, our goal for regular distribution payments will be by the end of each month in which DOR receives the payment.

Receipts from June transactions will be paid directly to the school districts in July under the old law.